

# K-12 Education

Ensuring that the 6.1 million pupils enrolled in California's public schools receive a high quality education and are provided the tools to meet California's world-class standards, education remains this Administration's highest priority. Despite the fiscal challenge facing California, the 2002-03 Budget fully funds statutory growth and cost-of-living adjustments for K-12 programs. As indicated in Figure K12-1, approximately \$53.9 billion will be devoted to California's 988 school districts and 58 county offices of education, resulting in estimated total per-pupil expenditures from all sources of \$9,145 in fiscal year 2001-02 and \$9,236 in fiscal year 2002-03. Figure K12-2 displays the various sources of revenue for schools.

**Figure K12-1**

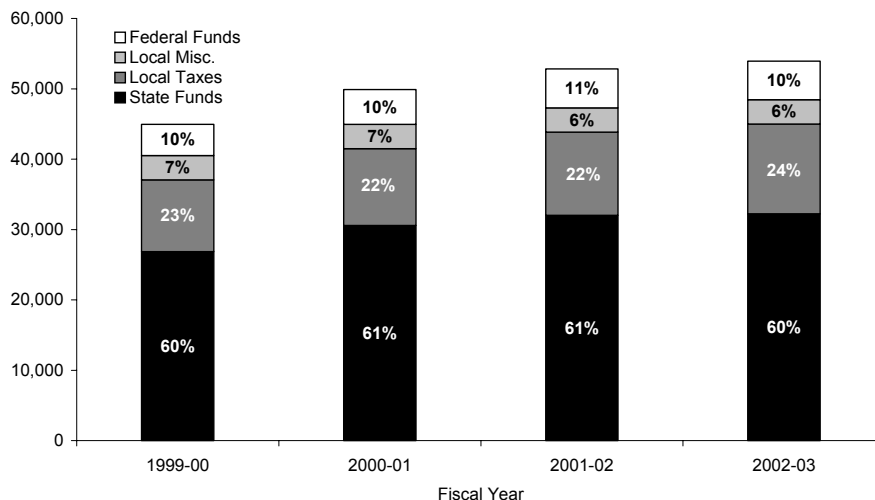
**Total Revenue for K-12 Education**  
(Dollars in Millions)

Source of Funds	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01 <sup>1/</sup>	2001-02 <sup>1/</sup>	2002-03 <sup>1/</sup>	Change	Percent
State General Fund	\$17,797	\$19,743	\$22,395	\$23,325	\$26,056	\$29,600	\$31,046	\$31,316	\$270	0.9%
Lottery Fund	692	611	675	728	745	827	813	813	0	0.0%
Other State Funds	53	59	82	74	65	141	150	112	-37	-24.9%
Federal Funds	2,825	2,991	3,473	3,859	4,416	4,951	5,545	5,480	-65	-1.2%
Local Property Taxes	8,653	8,585	9,138	9,545	10,200	10,918	11,824	12,747	923	7.8%
Local Debt Service	390	426	498	612	612	612	612	612	0	0.0%
Local Miscellaneous	2,103	2,195	2,595	2,843	2,843	2,843	2,843	2,843	0	0.0%
<b>Total Revenue</b>	<b>\$32,513</b>	<b>\$34,610</b>	<b>\$38,856</b>	<b>\$40,985</b>	<b>\$44,936</b>	<b>\$49,890</b>	<b>\$52,832</b>	<b>\$53,922</b>	<b>\$1,091</b>	<b>2.1%</b>

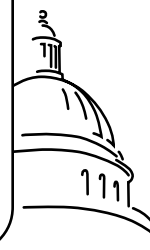
<sup>1/</sup> Estimated.

**Figure K12-2**

**Sources of Revenue for California's K-12 Schools**  
(Dollars in Millions, Percent of Total)



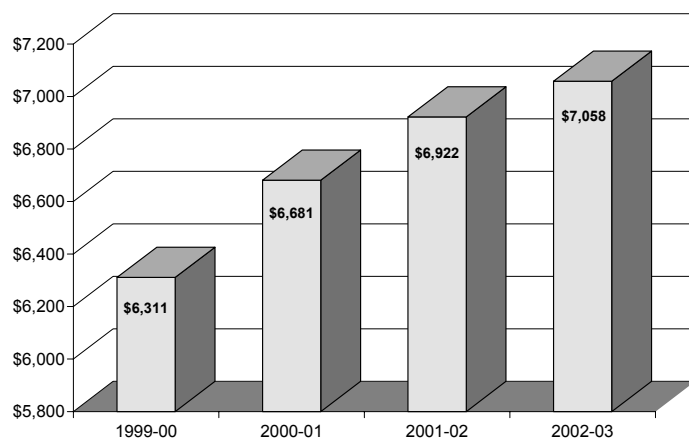
K-12 Education



**2002-03**

**Figure K12-3**

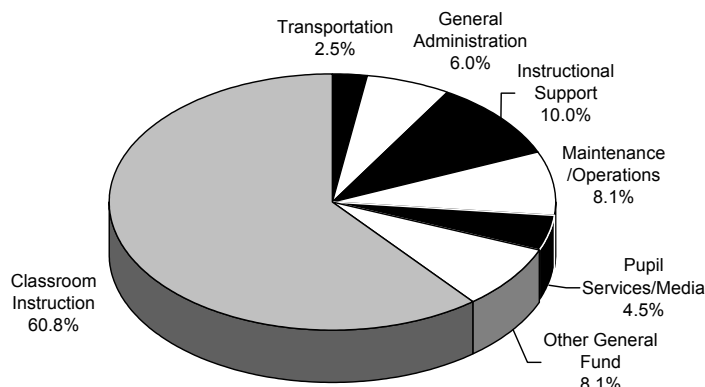
**K-12 Education Spending Per Pupil  
Proposition 98**



Total Proposition 98 support for K-12 education will increase 1.8 percent in 2002-03, over the 2001 Budget Act level as amended in the November 2001 Revision. The Budget proposes to fully fund the Proposition 98 guarantee in the budget year. This level of funding supports K-12 Proposition 98 per-pupil expenditures of \$7,058 in 2002-03, up from \$5,756 in 1998-99, \$6,311 in 1999-00, \$6,681 in 2000-01, and \$6,922 in 2001-02 (see Figure K12-3). This Administration has raised K-12 per-pupil appropriations for education by over 22 percent since taking office.

**Figure K12-4**

**Where Schools Spend Their Money**



**Classroom Instruction includes:** general education, special education, and special projects.

**General Administration includes:** superintendent and board, district administration, other administration, centralized EDP, and maintenance and operations for administration.

**Instructional Support includes:** instructional administration, school site administration, and special projects administration.

**Maintenance and Operations includes:** utilities, janitorial and groundskeeping staff, and routine repair and maintenance.

**Pupil Services includes:** counselors, school psychologists, nurses, child welfare, and attendance staff. Media includes libraries and media centers.

**Other General Fund includes:** spending for tuition, facilities, contracts with other agencies, and transfers to and from other district funds.

(Based on 1999-00 data reported by schools.)

Funding reported by schools from their general funds and the various categories of expenditure, along with respective shares of total funding for each category, are displayed in Figure K12-4. All costs shown are those reported to the State by schools using the definitions specified in the California School Accounting Manual.

## Proposition 98 Guarantee

The total 2000-01 Proposition 98 funding level as of the November 2001 Revision is \$42.9 billion, of which the General Fund share is \$30.4 billion.

The total 2001-02 Proposition 98 funding level as of the November 2001 Revision is \$45.0 billion, of which the General Fund share is \$31.4 billion. This amount is \$5.7 billion over the Proposition 98 Test 3 funding level.

The total 2002-03 Proposition 98 funding level is proposed at \$46.0 billion, an increase of \$1 billion over the revised 2001-02 funding level. The Budget funds Proposition 98 at the Test 2 level and fully retires the maintenance factor obligation created in the current year. The General Fund makes up approximately 68.2 percent, or \$31.4 billion, of total proposed Proposition 98 funding (see Figure K12-5).

Attendance growth in public schools continues to be relatively low, primarily due to steady declines in birth rates beginning in the early 1990s. For the current year, total K-12 Average Daily Attendance (ADA) is estimated to be 5,776,829. This reflects an increase of 85,302 ADA or 1.51 percent, over the 2000-01 fiscal year and is 3,908 lower than the estimate for the 2001 Budget Act. For the budget year, total K-12 ADA is estimated to be 5,838,438. This reflects ADA growth of 61,609, or 1.07 percent, over the current year.

## 2002-03 Proposed Reforms

### Instructional Materials Funding Reform

Consistent with a commitment to invest wisely for the success of our students and assist school districts in providing them with standards-aligned materials, this Administration has provided nearly \$3 billion for books and other instructional materials over the four years since 1998-99. Specifically for 2002-03, the Governor's Budget includes \$625 million for the following programs:

**Figure K12-5**

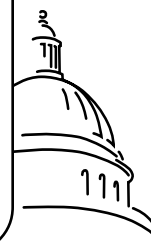
### Proposition 98 (Dollars in Thousands)

Proposition 98 Appropriation	2000-01	2001-02	2002-03
State General Fund	\$30,354,782	\$31,404,751	\$31,354,202
Local Revenue	12,508,584	13,571,871	14,629,176
<b>Total</b>	<b>\$42,863,366</b>	<b>\$44,976,622</b>	<b>\$45,983,378</b>
Total State and Local Distribution			
Department of Education	\$38,010,443	\$39,970,663	\$41,193,228
California Community Colleges	4,391,765	4,547,933	4,683,918
Department of Developmental Services	14,087	10,437	11,080
Department of Mental Health	18,400	18,400	18,400
Department of Youth Authority	40,733	40,733	38,138
State Special Schools	33,964	34,270	34,292
Indian Education Centers	3,974	4,186	4,322
Loan Repayment	350,000	350,000	0
<b>Total</b>	<b>\$42,863,366</b>	<b>\$44,976,622</b>	<b>\$45,983,378</b>
Proposition 98 Appropriations			
Percentage Share of General Fund	39.4%	45.8%	42.2%
SAL <sup>1/</sup> Revenues and Transfers			

<sup>1/</sup> State Appropriations Limit, Article XIII B.

### ❖ Instructional Materials Block

**Grant**—\$250 million for schools to purchase standards-aligned instructional textbooks in core curriculum areas for students in grades K-12. Once schools provide standards-aligned textbooks to each pupil, the funds can be used for a variety of instructional materials purposes, including school library and classroom library materials. This block grant replaces the existing Instructional Materials K-8, Instructional Materials 9-12, School Library Materials, and K-4 Classroom Library programs. The Administration also intends to propose additional increased funding for future years consisting of \$100 million in 2003-04, \$200 million in 2004-05, \$300 million in 2005-06, and \$350 million in 2006-07.



- ❖ **Textbook Block Grant—**  
\$200 million in one-time Proposition 98 Reversion Account funding for instructional materials for school districts that certify they will provide each pupil with a standards-aligned Reading/ Language Arts textbook by the beginning of the 2002 school year.
- ❖ **School / Classroom Library Grant—**\$100 million in one-time Proposition 98 Reversion Account for school districts to purchase school library materials or K-4 classroom library materials.
- ❖ **Science Lab Equipment—**  
\$75 million in one-time Proposition 98 Reversion Account for school districts to purchase science lab equipment and materials to provide standards-based science instruction in grades 7-12. These funds will build upon efforts such as the adoption of standards-aligned instructional materials and curriculum frameworks, already begun by the Administration to develop high standards for science learning.

**Independent Study Funding Reform—** Chapter 892, Statutes of 2001, reduced funding for non-classroom based charter schools by up to 20 percent in 2002-03. Recognizing that non-classroom instruction (independent study) is less expensive than instruction provided in a classroom setting whether provided by a charter or by a traditional public school, the Budget proposes a 10 percent, non-waivable reduction in

funding for all other independent study instruction. This reduction applies to all public non-charter K-12 schools, and will save an estimated \$43 million in the 2002-03 fiscal year.

## Teacher Training and Recruitment

**Mathematics and Reading Professional Development Program—**The 2002-03 Budget continues the Administration's commitment to provide K-12 instructional staff with quality professional development by increasing second-year funding for the Mathematics and Reading Professional Development Program by \$30 million to \$110 million. Chapter 737, Statutes of 2001, enacted the Mathematics and Reading Professional Development Program, which is modeled after the successful University of California-operated Professional Development Institutes and serves both teachers and instructional aides. The goal of this program is to ensure that all reading and mathematics teachers receive standards-aligned training as quickly as possible.

The proposed 2002-03 funding level will be sufficient to serve 32,800 teachers at \$2,500 each and 6,500 instructional aides at \$1,000 each. It will also be sufficient to provide \$500 in additional funding for each of the 43,000 Professional Development Institute attendees. With this funding, the Mathematics and Reading Professional Development Program will have received \$190 million since its inception in 2001-02. Coupled with training provided through the



Professional Development Institutes, approximately \$500 million will have been provided to train approximately 180,000 teachers over the four years of this Administration, including 2002-03.

**Professional Development Institute Stipends**—The 2002-03 Budget proposes \$48 million to provide stipend payments to Professional Development Institute (PDI) attendees, thereby maintaining the \$6 million funding decrease that has been proposed for this activity in 2001-02. This funding level will be sufficient to serve 43,000 teachers.

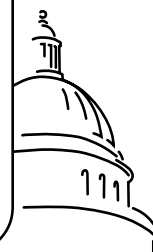
Since their inception in 2000-01, the University of California-operated PDIs have received a total of more than \$209 million. This figure, which includes both stipend costs and Institute operations costs, increases to over \$308 million when the proposed 2002-03 funding levels are incorporated.

**Principal Training Program**—\$7.5 million for the Principal Training Program established by Chapter 697, Statutes of 2001. The goal of this program is to provide 15,000 principals and vice-principals with training in instructional standards and effective school management techniques. Over the three-year period of this program, the State will spend \$45 million to provide \$3,000 per person trained, with school districts providing a local match of \$1,000 per individual. However, the Administration has secured a grant from the Gates Foundation which will provide the local match of \$1,000 for each principal and \$500 for each vice-principal.

**Beginning Teacher Support and Assessment Program**—\$88.3 million for the Beginning Teacher Support and Assessment Program, which will be sufficient to serve over 24,600 teachers. While this funding amount maintains the proposed \$20 million decrease in base funding proposed for 2001-02, it also includes \$3.6 million for program growth and COLA. Including the proposed 2002-03 funding, the Administration has provided over \$333 million for this program since 1999-00.

**Peer Assistance and Review Program**—\$87 million for the Peer Assistance and Review (PAR) program, which includes a continuation of the \$50 million base funding decrease proposed for 2001-02. The Administration's proposal would reduce the funding rate for this program by 50 percent and specify that any funding captured in excess of the \$50 million in proposed savings would be provided to school districts that certify they have been using PAR funds for specified activities. The PAR program funds are used to provide mentoring services to veteran teachers or to supplement other staff development programs, such as the Beginning Teacher Support and Assessment Program and the Alternative Certification Program. Including the proposed 2002-03 funding, this Administration has provided nearly \$408 million for the PAR Program since 1999-00.

**Instructional Time and Staff Development Reform Program**—\$230 million for the Instructional Time and Staff Development Reform Program, which allows schools to provide professional



development training to instructional staff outside of regular instructional days. The proposed funding level will be sufficient to fund three days of training for 242,000 teachers and one day of training for 80,000 instructional aides. Including proposed 2002-03 funding, this Administration has provided over \$926 million since 1999-00 for this program.

**Teaching As A Priority Block Grant**—\$118.7 million for the Teaching As A Priority Block Grant, thereby restoring the \$20 million funding reduction proposed for 2001-02. This program provides low-performing schools funding to offer recruitment and retention bonuses to credentialed teachers. Including the proposed 2002-03 funding, this Administration has provided \$336 million for this program since the enactment of Chapter 70, Statutes of 2000.

**Teacher Recruitment Incentive Program**—\$9.4 million for the Teacher Recruitment Incentive Program, which was established by Chapter 70, Statutes of 2000. This program provides funding for six regionally located centers to recruit qualified persons into the teaching profession. The centers place a particular emphasis on recruiting people to teach in low-performing schools. Since its inception in 2000-01, the Teacher Recruitment Incentive Program will have been provided \$28.2 million, including the proposed 2002-03 funding.

**National Board for Professional Teaching Standards Certification Incentive Program**—\$10 million for the National Board for Professional Teaching Standards (NBPTS) Certification Incentive Program, thereby continuing the \$5 million anticipated savings that has been proposed for this program in 2001-02. This reflects the length of time necessary for a teacher to become certified. Including the proposed 2002-03 funding, this Administration has provided \$35 million for the NBPTS Certification Incentive Program since its inception in 2000-01. The Program provides \$10,000 bonuses to teachers who earn certification by the NBPTS, and additional \$20,000 bonuses, payable over four years, to NBPTS-certified teachers who agree to work in low-performing schools.

**Alternative Certification Program**—The Alternative Certification Program allows college graduates who have proven their subject-matter knowledge to work full-time as teachers while earning their teaching credential. The 2002-03 Budget proposes to reduce funding for the Alternative Certification Program by \$6.2 million, from \$31.8 million to \$25.6 million, to reflect anticipated savings in the program. The 2002-03 funding level will be sufficient to serve 10,240 participants at \$2,500 each. Including the proposed 2002-03 funding, this Administration has provided over \$100 million for the Alternative Certification Program since 1999-00.



**Paraprofessional Teacher Training**

**Program—**The Paraprofessional Teacher Training Program allows non-college graduates to serve as instructional aides while working to earn a college degree. Upon earning a college degree, it is expected that Program participants will work to earn a teaching credential. The 2002-03 Budget proposes to reduce funding for the Paraprofessional Teacher Training Program by \$4 million, from \$11.5 million to \$7.5 million, to reflect anticipated savings. The 2002-03 funding level will be sufficient to serve 2,500 participants at \$3,000 each. Including the proposed 2002-03 funding, support for this program has totaled \$42 million since 1999-00.

**Accountability  
and Assessments****Governor's Performance Awards—**

The Budget continues the Governor's Performance Awards (GPA) Program at the \$157 million funding level. Chapter 3, Statutes of 1999, established this awards program to provide approximately \$67 per pupil to schools that meet their Academic Performance Index (API) growth targets. With the 2002-03 funding, schools will have received more than \$540 million in awards since the inception of this program.

**Certificated Staff Performance Incentive Act—**\$50 million, which represents a continuation of the \$50 million funding decrease proposed for 2001-02, and will be sufficient to provide \$25,000 bonuses to 500 staff,

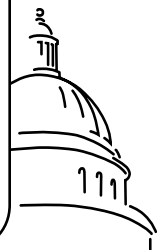
\$10,000 bonuses to 1,875 staff, and \$5,000 bonuses to 3,750 staff. Including the proposed 2002-03 funding, this program has received \$200 million since its inception in 2000-01. Awards are provided to certificated staff including teachers, counselors, and administrators at low-performing schools that achieve significant, sustained increases in their Academic Performance Index scores.

**Immediate Intervention/Underperforming Schools Program (II/USP)—**

The Budget provides a \$29.6 million augmentation in the II/USP for a total of \$210.8 million to fully fund implementation grants for three cohorts of schools. During 2002-03, nearly 1,200 schools will participate in the II/USP and will receive \$200 per pupil to conduct activities geared towards improving academic performance. This program was implemented pursuant to the enactment of Chapter 3, Statutes of 1999. Over the four-year period since its inception, the Administration has provided \$513.2 million, including federal funds, for this program.

**High Priority Schools Grant Program—**

\$197 million for the High Priority Schools Grant Program (HPSGP), which was delayed until July 1, 2002, due to current year budget constraints, will provide grants to the State's lowest performing schools to improve academic performance. Priority in funding will be provided to schools with the lowest API scores. While in the program, participating schools will receive



annual grants of up to \$400 per pupil to implement an action plan focusing on the following essential components:

- ❖ Pupil literacy and achievement.
- ❖ Quality of staff.
- ❖ Parental involvement.
- ❖ Facilities, curriculum, instructional materials, and support services.

**Pupil Testing**—The Budget provides \$130.5 million for various statewide exams. Over the course of this Administration, through the proposed 2002-03 Budget, \$432.1 million has been provided for these assessments, which provide valuable information to parents, schools, and the State regarding pupil performance and are the foundation for the State's system of accountability.

- ❖ **Standardized Testing and Reporting (STAR) Exam**—\$67.8 million is proposed for the STAR exam. This exam measures pupil performance on various State-adopted content standards as well as a national norm-referenced exam, and serves as the primary indicator for the Academic Performance Index. To ensure that English language learners are tested for academic performance as well, the STAR program includes the Spanish Assessment of Basic Education.

- ❖ **High School Exit Exam (HSEE)**—\$18.3 million is provided for the HSEE Chapter 1, Statutes of 1999 requires pupils, commencing with the 2003-04 school year, to demonstrate proficiency in the State's rigorous academic standards by passing the High School Exit Exam as a condition of receiving a high school diploma. Due to concerns about whether students have had adequate opportunity to learn the concepts tested by the High School Exit Exam, the Governor signed legislation (Chapter 716, Statutes of 2001), requiring the State Board of Education to examine whether pupils have been provided sufficient opportunity to learn, and allowing a delay in implementing the High School Exit Exam, if necessary.

- ❖ **California English Language Development (ELD) Test**—\$17 million is included for the ELD test. Schools are required to test pupils whose primary language is a language other than English to identify English language learners. This identification allows schools to better allocate resources that may benefit those students. Additionally, schools are required to test English language learners on an annual basis to ensure that an English proficient pupil is not maintained in a class nor curriculum that does not provide additional academic challenges or growth.





❖ **Golden State Exams (GSEs)**—\$15.4 million is proposed for these challenging end-of-year exams, which are offered in 13 different subjects and offer pupils an opportunity to be recognized for their achievements in those subjects. Pupils who achieve outstanding scores on six GSEs are eligible to receive a Golden State Seal Merit Diploma. In an effort to minimize testing time, this Administration is working to incorporate these exams into the California Standards Tests as part of the STAR exam.

**Standards-Based Student Workbooks**—The Budget provides \$2.4 million to continue providing pupils with workbooks for the High School Exit Exam. This Administration has provided a total of \$5.4 million, including the \$2.4 million proposed in 2002-03, for these workbooks, which provide pupils and their parents valuable information regarding the standards to which pupils will be held accountable, as well as the skills they must master. The workbooks are provided free of charge to all pupils being tested so that each pupil has access to this information.

## Special Education

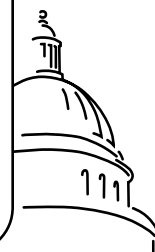
**Special Education**—The Budget reflects implementation of the fifth year of the per-pupil funding formula for special education prescribed by Chapter 854, Statutes of 1997 (AB 602). A total of \$94.5 million in additional General Fund is provided for statutory

adjustments to the special education formula, which includes increases of \$77.5 million for a 2.15 percent COLA, \$39.6 million for program growth, and a \$22.6 million reduction to reflect an increase in local property taxes.

Last year the Administration allocated \$97.9 million to schools as a permanent increase to the base level of funding for the special education program as a result of a commensurate increase in federal special education funds provided to the State. However, given the General Fund shortfall anticipated in for 2002-03, the \$112.3 million in increased federal funds anticipated in budget year will be utilized as part of the statutory offset to the General Fund authorized by AB 602.

Including the 2002-03 proposed Budget, this Administration has provided special education with an additional \$659 million in General Fund (an increase of over 32 percent) since 1998-99. Further fulfilling the funding commitments delineated in the new formula, the Administration has also fully funded the statewide funding target rate that equalizes funding for all Special Education Local Planning Areas, and has fully funded the adjustments for districts with higher than average populations of students with special needs.

Since 1998-99, \$383 million in additional federal special education funds have been made available for expenditure, representing an increase of over 96 percent. This increase in federal



funds has resulted in funding augmentations for several special education programs, including Project Workability, which has received \$21.2 million in increased funding, and \$7.5 million in increased contract funds for the provision of due process services for special education. In total, more than \$12.4 billion in State General Fund and federal funds has been provided for Special Education over the course of this Administration.

Finally, pursuant to successful efforts on the part of the Administration and the parties involved, a settlement was reached with the claimants regarding the 20-year old Riverside Special Education Mandate Case, resulting in \$270 million in one-time funding for retroactive payments, \$250 million in ongoing, one-time funds (paid in \$25 million installments over ten years), and a \$100 million increase in the base level of General Fund provided for special education in California.

**State Special Schools**—The Budget includes an increase of \$465,000 for the State Special Schools. This increase includes \$338,000 for transportation costs and \$127,000 for utility costs.

The State Special Schools have received a \$14.7 million (\$7.2 million Proposition 98), or 29 percent, increase in General Fund support since 1998-99, increasing program funding from \$50.8 million to a budget year total of \$65.5 million. Over the last four years, more than \$247.3 million in

Proposition 98 and non-Proposition 98 funding has been appropriated to the State Special Schools within the Department of Education. Augmentations have been provided to meet a wide variety of challenges, including funding for extended class sessions and support technology, as well as for building repair and maintenance. In an ongoing effort to ensure the State Special Schools are appropriately staffed for the students they serve, they have also been provided with additional staff for reading assessments and instruction, physical education assessments, and facilities service and maintenance.

## K-12 School Facilities

**Deferred Maintenance**—As part of the Administration's ongoing commitment to K-12 school facilities, the Budget provides a total of \$205.4 million in Proposition 98 General Fund, an increase of \$29.1 million, for the K-12 Deferred Maintenance Program to fully fund the one-half of one percent State match. These funds, along with excess loan repayment funds and School Site Utilization Funds, will provide a total of \$220.1 million, which, when combined with the local match, will provide a total of \$440.2 million for K-12 deferred maintenance needs in 2002-03.

The Administration fully supports school district participation in this highly successful program, and nearly all school districts in the state have opted to participate in the program. Since the beginning of this Administration, the State has fully funded the Deferred



Maintenance Program, and has increased the annual amount of General Fund provided for this program by \$70.4 million, thereby increasing the program's base funding level by over 50 percent. Over the last four years, more than \$701.7 million in Proposition 98 funding has been provided for Deferred Maintenance.

**School Construction**—In November 1998, voters passed Proposition 1A, which provides \$6.7 billion in general obligation bond funds for K-12 school construction over four years.

A companion bill, Senate Bill 50, established the State School Facilities Program to administer the Proposition 1A funding. This bond proposal included significant reforms in the State school building program, and streamlined the project approval process for school construction projects.

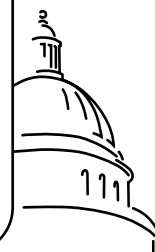
The School Facilities Program has been highly successful in providing Proposition 1A bond proceeds for new construction, modernization, and class size reduction. A total of \$5.8 billion has been apportioned to date to school districts in a timely and efficient manner. Of these funds, \$5.3 billion has already been released or contracted for school facility projects. The balance of available funds will be apportioned to school districts by August 2002, specifically for new school construction (\$693.8 million) and hardship funding for school districts in difficult fiscal circumstances (\$36.6 million).

**General Obligation School Bonds**—In recognition of the infrastructure needs of primary and secondary schools, the Administration supports a bond measure that would authorize the placement of \$10 billion School Facilities General Obligation Bonds on each of the 2002, 2004, and 2006 statewide election ballots. Of the \$10 billion authorized for election, \$8 billion would be for K-12 school facilities, and \$2 billion would be for higher education facilities.

## Child Care

**Child Care Reform**—In the spring of 2000, the Administration initiated a review of the State's child care policies, with the goal of determining how existing resources may be more efficiently used to equitably serve the State's neediest families. Following the release of a May 2001 report on child care fiscal policy reform options, the Administration continued the analysis with input from the Legislature, and is proposing specific changes to eligibility criteria, family fees, reimbursement rate limits, and other administrative issues detailed earlier in this Budget Summary. This Budget reflects the Administration's reform proposal to provide efficient, equitable child care services to California's neediest families—California Work Opportunity and Responsibility for Kids (CalWORKs) and non-CalWORKs working poor families alike.

Caseload changes in programs dedicated to CalWORKs families, reinvestment of an estimated \$400 million of savings due to proposed reforms, plus



additional investment of Proposition 98 resources affect the budget levels of the five primary child care programs that offer subsidies through differing mechanisms, and the Before and Afterschool Program. The five child care programs include: CalWORKs Stages 1 and 2 for the CalWORKs populations; and General Child Care, Alternative Payment Program, and CalWORKs Stage 3 Setaside, which are discretionary programs for other working poor families. The Before and Afterschool Learning and Safe Neighborhoods Partnership Program (Before and Afterschool Program) is a grant program available to schools serving grades K-9. Before and Afterschool Programs provide academic support and a safe environment for children that reduces high risk behaviors, in addition to addressing child care needs for working families.

Specific savings and reinvestments under the Administration's proposal are outlined below:

- ❖ Savings from Stage 1 is estimated at \$50 million, and is primarily reinvested in the Alternative Payment Program (APP) to expand slots for families on waiting lists.
- ❖ Savings from Stage 2 is estimated at \$133 million, and is similarly reinvested in the APP program.
- ❖ Savings from Stage 3 Setaside caseload through the current year is estimated at \$58 million, and is set-aside for those "timing off" of transitional assistance in the budget

year along with \$22.6 million in savings from other programs for this purpose.

- ❖ Savings from General Child Care (GCC) is estimated at \$124 million, which is partially retained in GCC to allow current providers to continue current service levels. The remainder is primarily reinvested in the APP program for expansion of slots.
- ❖ Savings from the APP is estimated at \$36 million, and is retained in this program for expansion of slots.
- ❖ Approximately \$30 million of the savings is reinvested in the Before and Afterschool Program.

#### **Budget Proposes Significant Expenditure and Service Level Increases—**

This Budget provides a total of \$3.2 billion to serve an estimated 736,000 children for the various child care programs administered by the State Department of Education (SDE), the Department of Social Services (DSS), and the Community Colleges (CCC). This funding level reflects an overall increase of \$150 million for a 4.9 percent increase from current year appropriations, and over \$1.2 billion for a 62.7 percent increase since the beginning of the Administration. General Fund spending increases by \$345 million in the budget year, while federal fund spending decreases by \$170 million, primarily reflecting shifts in TANF spending in the CalWORKs program. Compared to 1998-99 and including 2002-03 proposed expenditures for child care, this Administration has



increased General Fund spending by \$900 million, while federal fund spending has increased by only \$328 million.

Along with the increased funding, and pursuant to the proposed reforms, the number of children estimated to be served increases by approximately 122,000, or 20.4 percent, over current year levels, and 310,000, or 73 percent, since 1998-99. No other Administration in recent history has expanded access to child care to more families nor increased spending for these purposes at such rates, which underscores this Administration's commitment to assisting low-income working families with their child care needs.

#### **CHILD CARE FOR CALWORKS FAMILIES**

Child care services help public assistance recipients achieve and maintain self-sufficiency. Stage 1 and Stage 2 child care services are jointly administered by the DSS and the SDE, respectively, with some funding provided directly to the CCC for Stage 2. Stage 1 and 2 services are entitlement programs available to CalWORKs families for up to two-years after exit from cash assistance. The Governor's Budget includes funding for these populations as follows:

**Stage 1 Child Care**—The Budget provides \$472 million in the DSS budget for an estimated caseload of 83,000 average monthly enrollment. This reflects a decrease from the current year appropriation level of \$102 million, reflecting caseload reduc-

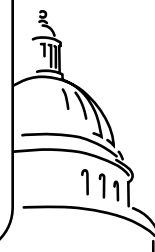
tions of 21,000 average monthly enrollments and savings due to the reform proposal as mentioned above. Of the amount proposed in the Budget, \$27 million is reserved in a Stage 1 and 2 reserve account in DSS' budget, consistent with past practice.

**Stage 2 Child Care**—The Budget provides \$592 million in the SDE budget for an estimated caseload of 121,000 average monthly enrollment. This reflects a decrease from the current year appropriation level of \$31 million, reflecting net savings due to the reform proposal, and an increase in caseload of 17,000. Of the amount proposed in the Budget, \$38 million is in the reserve account in DSS' budget.

**Stage 1 and 2 Reserve**—The Budget provides an additional \$100 million in the DSS budget over and above the estimated costs for both stages, sufficient to serve an additional 18,000 average monthly enrollments. This is an increase of \$10 million over the appropriation level in the current year. Combined with the funds reserved from the Stage 1 and 2 estimates, the total reserve is nearly \$165 million, of which \$65 million is the Stage 1 and 2 hold-back amounts.

#### **CHILD CARE FOR WORKING POOR FAMILIES**

Child care programs for working poor families who are not on CalWORKs or who have successfully transitioned from CalWORKs-entitled child care are served through programs exclusively



administered by the SDE. These programs are discretionary. Eligible families apply for subsidies and receive services on the basis of priorities established in law, generally based on lowest-income-first and a demonstrated need for child care to maintain or seek employment. The Administration's reform proposal would alter the existing priority system and make families working full time in the lowest tiers of income and with children under 5 years of age, the highest priority after children at risk of abuse or neglect. As a result, the neediest families will have equal access with successfully transitioned CalWORKs families for subsidies, thereby meeting one of the primary goals of the reform proposal. The Governor's Budget, therefore, reflects a phase-out of the current Stage 3 Setaside and its preference for CalWORKs families, in favor of this more equitable approach. The Budget includes the following amounts for these populations in the primary discretionary programs (all other subsidy programs remain at the same level as the current year, adjusted for cost of living, as appropriate):

**Stage 3 Setaside**—\$80.6 million in a separate setaside in the SDE budget for new families timing off of their transitional benefit between July 2002 and March 31, 2003. This amount is funded exclusively through savings based on the reform proposal, and is sufficient to provide services for 14,500 average monthly enrollments. The Budget proposes to shift \$218.1 million estimated for the current year continuing Stage 3 caseload to the

APP program. This funding is estimated to serve 40,000 average monthly enrollments. All current caseload will continue receiving care through the APP program as long as they remain eligible for subsidies. When combined, the funding level for both caseload components reflects a \$39 million increase from the current year appropriation level, reflecting the lower State costs anticipated through proposed reforms.

**General Child Care**—\$536 million in the SDE budget for an estimated caseload of 90,000 average monthly enrollments. This level of funding reflects a \$43 million decrease from the current year appropriation level, but provides funds sufficient to serve the same level of enrollment as in the current year due to the savings resulting from the reform proposal.

**Alternative Payment Program**—\$626 million in the SDE budget for an estimated 110,000 average monthly enrollments. This level of funding reflects a \$425 million increase over current appropriation levels and an increase in average monthly enrollments of almost 76,000. As mentioned, this total reflects the shift of the Stage 3 caseload continuing from the current year. When these families no longer need child care services, the funding will remain in the program to provide access to the neediest families on an ongoing basis.



### **BEFORE AND AFTER SCHOOL PROGRAM EXPANSION**

The Governor's Budget includes a \$75 million augmentation to expand the Before and After School Learning and Safe Neighborhoods Partnerships Program, providing a total of \$162.8 million for the program. This program provides homework assistance, other academic support, and access to safe before and after school care for children with working parents. This increased amount includes \$29.7 million for expansion of grants that were suspended in the current year and \$45.3 million for additional expansion, \$30 million of which reflects a shift from savings in other programs due to the child care reform proposal. This expansion will provide services to at least 79,000 additional school-age children.

With this latest expansion, investment in the Before and After School Program by this Administration has increased a total of \$113 million for a 226 percent increase above the 1998-99 initial program funding level, thus providing services to an additional 120,000 children in kindergarten through 9<sup>th</sup> grade for a total service level estimated at 176,000 children.

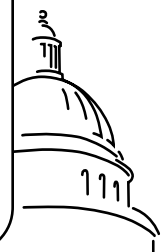
### **CHILD CARE QUALITY IMPROVEMENT**

The Budget includes an increase of \$9.8 million in one-time federal Child Care and Development Fund (CCDF) for a quality initiative over the next three years to provide outreach to all license-

exempt providers for the primary purposes of providing training based on State developed pre-kindergarten guidelines and early childhood development principles, as well as health and safety issues. This funding may also be used to expand Trustline registration to extended family members, as determined necessary in conjunction with the DSS, and for the development of a certification process to qualify exempt providers for incentives to improve developmental outcomes for the children that they serve.

Total State quality enhancement expenditures continue to significantly exceed federal requirements and total over \$102 million through the SDE programs and projects alone, a \$13 million increase over the current year level. Over the last four years, the Administration has invested several hundred million additional State and federal dollars to enhance the quality of the State's child development programs, including the following:

- ❖ \$15 million annually to improve child care teacher retention incentives through locally driven programs.
- ❖ \$42 million one-time funding to improve access for disabled children in child care settings, and addressing new playground regulations.
- ❖ \$5 million for the refinement and adaptation of the pre-kindergarten guidelines, curriculum development



for both centers and family day care homes, and training in the use of these tools.

- ❖ \$5 million, in conjunction with matching funds from the Proposition 10 Commission, to create incentives for providers to seek accreditation status.
- ❖ \$4 million annually to train CalWORKs recipients to become child development teachers and aides.
- ❖ \$2.7 million annually for increased child care facility inspections.
- ❖ Other increases for the health and safety hotline, exempt provider trustline, a centralized waiting list pilot project, and numerous other projects to strengthen the child care infrastructure.

**Child Care Facilities—**Since 1999-2000, the Administration has reinvested \$130 million in one-time Proposition 98 child care savings into the Child Care Facilities Revolving Fund, which provides portable classrooms specially designed for the needs of early childhood programs to both assist expansion of center-based care in State Pre-school and General Child Care provided earlier in this Administration, and to replace facilities lost to K-3 Class Size Reduction. Those replacements and expansions are nearing completion, and it is estimated that \$42 million may be reverted to the balance of the

Proposition 98 Reversion Account to help schools fund higher priority needs in the budget year.

#### **Child Care Cost-of-Living Increase—**

The Budget provides \$26.1 million (\$20.8 million Proposition 98 General Fund and \$5.3 million federal funds) for a 2.15 percent COLA for all eligible child care programs, including Local Child Care Planning Councils. Child care programs have received full COLA in each year of this Administration. Moreover, \$33 million was provided in the Budget Act of 2000 to partially restore COLAs that had not been fully funded during the recession of the early 1990s.

#### **CHILD NUTRITION PILOT PROGRAM**

Recognizing the school districts' role in the health and physical development of students, Chapter 913, Statutes of 2001, enacted a variety of child nutrition reforms, including a three-year pilot program to assist participant schools in their efforts to improve the nutritional value of meals served to California school children. In support of these efforts, the Budget provides \$4 million in funding for the pilot from new federal funds awarded to the Department of Food and Agriculture to support California specialty crop production. The pilot program will increase demand for fresh food grown in California while improving the nutrition and eating habits of almost six million school children in California.





## California State Library

The Governor's Budget includes the following adjustments for the California State Library (CSL):

- ❖ **Public Library Foundation (PLF)**—\$41.8 million General Fund for the PLF, which reflects a reduction of \$11.2 million from the 2001-02 funding level. This Administration has provided over \$200 million for the PLF beginning in 1999-00 and has consistently funded the program at a significantly higher level than the \$38.8 million provided in 1998-99.
- ❖ **Library of California**—\$3.4 million General Fund for the Library of California, a reduction of \$598,000 from the amount provided in the current year. This Administration has dedicated \$15.4 million over four years to encourage resource sharing among all California libraries.
- ❖ **California American Indian Nations Information Project**—\$50,000 General Fund to implement Chapter 870, Statutes of 2001, to develop instructional resources for use in public schools, and an information project to educate the general public on California's Native Americans.
- ❖ **Building Maintenance**—\$76,000 General Fund for repair and maintenance costs at the Library and Courts II Building.

- ❖ **California State Portal Website**—\$188,000 in reimbursements to continue development and enhancement of the California State Portal website (MyCalifornia). The website has received national acclaim and provides useful information and services, such as: online vehicle registration, State park reservations, and professional licensing (i.e. for physicians, registered nurses, and various contractors), and links to a multitude of other useful governmental and nongovernmental websites for an increasing number of users.

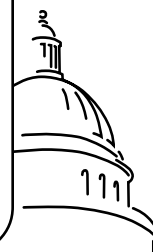
## Other Adjustments

The Budget also contains the following adjustments:

**High-Tech High Schools**—A one-time appropriation of \$4 million in Proposition 98 Reversion Account funds to continue the High-Tech High School program. The program provides five matching grants totaling \$2 million each over two years, awarded on a competitive basis.

**Enrollment Growth**—Enrollment growth funding of \$344.1 million, or 1.07 percent, for school district and county office of education apportionments (\$304.5 million) and special education (\$39.6 million) at 1.11 percent.

**Cost-of-Living Adjustment (COLA)**—\$687 million for a 2.15 percent COLA for school districts and county offices of



education apportionments (\$599.1 million), summer school (\$10.4 million), and special education (\$77.5 million).

**Categorical Growth and COLA—**

\$224.1 million for growth (\$87.6 million) at various percentage rates and a 2.15 percent COLA (\$136.5 million) for categorical programs, some of which include: Economic Impact Aid (\$33.8 million), Adult Education (\$28.2 million), Regional Occupational Centers and Programs (\$15.6 million), Class Size Reduction (\$51.4 million), School Improvement Programs (\$11.3 million), and the Charter Categorical Block Grant (\$8.3 million).

**Partnership Academies—**An increase of \$948,000 for statutory funding adjustments, bringing total funding for the Partnership Academies to \$23 million. These academies forge links between business partners and public K-12 schools to provide school-to-career training for predominantly at-risk high school students.

**Adult Education—**A reduction of \$36 million to reflect the deletion of funds allocated for services to CalWORKs recipients. These funds were primarily used to allow Adult Education and Regional Occupational Center and Programs (ROC/Ps) to claim funds above their average daily attendance cap if they used the additional funds to provide instruction to CalWORKs participants. Due to recent program augmentations, these CalWORKs funds are no longer necessary to ensure that the State meets its maintenance-of-effort requirement for

the federal Temporary Aid for Needy Families grant. CalWORKs recipients can still be served in adult education and ROC/P programs or through other CalWORKs employment services and training funds provided by the counties.

**Fiscal Crisis and Management**

**Assistant Team (FCMAT)—**\$4.5 million to strengthen the ability of the county superintendents of instruction to oversee school district budgets, pursuant to Chapter 620, Statutes of 2001, and to expand activities required through Chapter 1213, Statutes of 1991. The Administration believes that expanding fiscal consulting services will lead to greater accountability and, ultimately, better performance throughout California's K-12 educational system.

**California School Information Services—**

\$15.5 million to continue implementation of the California School Information Services (CSIS) project. Of this amount, \$11 million will be to fund first-year CSIS implementation in 150 local education agencies, and second-year CSIS implementation in 131 local education agencies. The remaining \$4.5 million will support the FCMAT's administration of CSIS implementation activities. When fully implemented, CSIS will facilitate the electronic transfer of student records between school districts when students change schools. The CSIS also will ease the burden of mandatory reporting requirements on school districts by allowing them to electronically transmit required information to the Department of Education.



**Demonstration Programs in Intensive Instruction**—A reduction of \$6.1 million Proposition 98 for this program, which has sunset.

**Digital High School**—Continuation of the \$15 million reduction made in the current year to reflect anticipated savings. This Administration has committed over \$450 million through this program to increase access to computers for high school students, enhance the quality of instruction, and train educators in the use of technology.

**School Development Plans and Resource Consortia**—Elimination of this \$21.6 million program with minimal impact, in light of the implementation of the Mathematics and Reading Professional Development Program, the Principal Training Program, and the Professional Development Institutes. This program provided funding for the participation of teachers in development and implementation of curricula, instruction, and student assessment.

**Proposition 98 Reversion Account**—One-time Proposition 98 Reversion Account appropriations totaling \$534.9 million are provided as follows:

- ❖ \$200 million to fund textbook block grants.
- ❖ \$100 million to fund library block grants.
- ❖ \$75 million to fund science laboratory materials and equipment.
- ❖ \$11 million to fund CSIS.
- ❖ \$4.5 million to fund the FCMAT administration of CSIS.
- ❖ \$87.1 million to fund the Mathematics and Reading Professional Development Program.
- ❖ \$4 million to fund High-Tech High Schools.
- ❖ \$7.5 million to fund the Principal Training Program.
- ❖ \$22.9 million to fund Community Colleges Scheduled Maintenance.
- ❖ \$22.9 million to fund Community Colleges Instructional Equipment and Library Materials.

